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Message Text

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21
ORIGIN AGR-08

INFO OCT-01 EUR-12 IO-13 ISO-00 FEA-01 CEA-01 CIAE-00

COME-00 DODE-00 EB-07 FRB-03 H-02 INR-07 INT-05 L-03

LAB-04 NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15

STR-04 ITC-01 TRSE-00 USIA-06 PRS-01 SP-02 OMB-01

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STATE:PTAYLOR/ JPLACKE
COMMERCE:DSCHLECHTY
OFP/FPD:FSPILLMAN
STR:JSTARKEY
TREASURY:MFELDMAN/MRYSS
LABOR:DWANAMAKER
STATE:TOHERRON
USDA:RBELL
---------- 038376
R 221313Z MAY 76
FM SECSTATE WASHDC
TO USDEL MTN GENEVA
INFO USMISSION EC BRUSSELS

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E.O. 11652: N/A

TAGS:ETRD:GATT;EAGR

SUBJECT: U.S. POSITION FOR MTN GRAINS SUBGROUP:
MAY 24-28, 1976

REF: A) BRUSSELS 4242; B) MTN GENEVA 3043; C) STATE 66020
D) STATE 146389(1975);E)STATE 245988
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PROBLEM:

1. THE SUBGROUP WILL MEET MAY 24-28 TO 1) CONTINUE AN
EXAMINATION OF COUNTRIES' GRAIN TRADING SYSTEMS (AUSTRALIA,

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CANADA, AND POSSIBLE INDIA AND BRAZIL WILL BE INCLUDED);
2) DISCUSS NON-COMMERCIAL AND CREDIT SALES; AND 3) CONTINUE
ITS DISCUSSION OF PROPOSALS IN THE THREE CATEGORIES OF
LIBERALIZATION, STABILIZATION, AND THE INTERESTS OF LDCS.
THE EC IS EXPECTED TO PROVIDE ADDITIONAL DETAILS CONCERN-
ING THE STOCKING AND DESTOCKING MECHANISM OF ITS PROPOSED
INTERNATIONAL GRAINS AGREEMENT. SOME COUNTRIES CAN BE
EXPECTED TO RAISE QUESTIONS CONCERNING THE U.S. P.L.480
AND CCC EXPORT CREDIT PROGRAMS, PARTICULARLY RELATING TO
POSSIBLE ELEMENTS OF "HIDDEN" EXPORT SUBSIDIZATION.
FINALLY, THE U.S. PROPOSAL FOR A NOTIFICATION/CONSULTATION
PROCEDURE (MTN/GR/W/4 ADD.1) REMAINS ON THE TABLE AND MAY
BE COMMENTED ON BY DELEGATIONS.

2. U.S. POSITION

1. IN ACCORDANCE WITH UNDERSTANDING REPORTED REF A,
U.S. DEL SHOULD COMMUNICATE TO EC DEL SUBSTANCE OF FOLLOW-
ING U.S. POSITION IN ADVANCE OF MAY 24 MEETING IN EXCHANGE
FOR SUBSTANCE EC POSITION. DEL SHOULD COMMUNICATE SIMILAR
INFORMATION TO CANADIAN AND AUSTRALIAN DELS AND ALSO
INFORM THEM OF GENERAL NATURE OF THE QUESTIONS THAT U.S.
WILL ASK REGARDING THEIR GRAIN TRADING SYSTEMS.

2. U.S. DEL SHOULD SEEK SUPPORT FROM OTHER KEY DELS
FOR KEEPING OPEN DATE OF NEXT SUBGROUP MEETING. IF
PRESSURE FOR FIXING DATE DEVELOPS, WE COULD AGREE TO
MEETING IN FALL WITH EXACT DATE TO BE DETERMINED BY SECRE-
TARIAT IN CONSULTATIONS WITH KEY DELEGATIONS. WE BELIEVE
THAT BILATERAL DISCUSSIONS OF SOME SORT SHOULD PRECEDE
NEXT SUBGROUP MEETING. SUCH DISCUSSIONS WILL BE NEEDED
TO IDENTIFY POSSIBLE ELEMENTS OF GRAINS NEGOTIATIONS IN
PREPARATION FOR THE FINAL NEGOTIATING STAGE IN 1977.

3. DEL SHOULD PARTICIPATE ACTIVELY IN DISCUSSION
OF COUNTRIES' TRADING POLICIES. AS APPROPRIATE, HE MAY
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DRAW ON QUESTIONS PROVIDED IN PARA 1 IN DISCUSSION.

4. WITH RESPECT TO ANY DISCUSSION OF U.S. P.L. 480
PROGRAM, DEL SHOULD RESPOND BY DRAWING ON PARA 2 OF
DISCUSSION SECTION. FOR DATA AND OTHER INFORMATION RELAT-
ING TO PL 480, HE MAY REFER TO STATISTICAL PUBLICATIONS
RECENTLY SENT TO KOENIG AS WELL AS STATISTICAL MATERIAL
PROVIDED DEL IN JANUARY IN RESPONSE TO SECRETARIAT'S
REQUEST REGARDING MTN/GR/W/8. FOR INFORMATION ON CREDIT
SALES (CCC EXPORT CREDIT AND EXIMBANK) DEL SHOULD DRAW
ON PARA 3 DISCUSSION SECTION.

5. IN RESPONSE TO EXPECTED EC PRESENTATION ON THE

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STOCKS MECHANISM OF ITS INTERNATIONAL GRAINS AGREEMENT PROPOSAL; THE U.S. DEL SHOULD PARTICIPATE IN DISCUSSION AND HIGHLIGHT WEAKNESSES EC APPROACH, DRA'ING ON DISCUSSION SECTION OF REF D. HE SHOULD POINT OUT, AS APPROPRIATE, THAT EC PROPOSAL WOULD APPEAR: 1) TO HAVE LITTLE TO DO WITH THE EXPANSION OF TRADE AND 2) LIKELY TO INCREASE RATHER THAN REDUCE THE RISK OF EXTREME WORLD PRICE INSTABILITY. IF AT ANY TIME THE EC DEL SHOULD ATTEMPT TO GAIN AGREEMENT ON EC APPROACH AS THE EXCLUSIVE TERMS OF REFERENCE OF THE SUB GROUP, OR SHOULD PROPOSE SECRETARIAT WORK ON ELEMENTS OF ITS PROPOSAL, THE U.S. DEL SHOULD FLATLY OPPOSE ON THE GROUNDS THAT EC PROPOSAL CONTAINS

NO ELEMENT OF TRADE LIBERALIZATION AND, IN THE U.S. VIEW, WOULD DO NOTHING TO MAKE GRAIN CONSUMPTION AND PRODUCTION MORE RESPONSIVE TO CHANGES IN WORLD MARKET CONDITIONS.

6. UNDER TOPIC OF LIBERALIZATION, U.S. DELEGATE SHOULD PRESENT FIRM STATEMENT ON TRADE LIBERALIZATION AS BASIS FOR MTN GRAINS NEGOTIATIONS (SEE SEPTEL)

7. IF QUESTION OF U.S. FOOD SECURITY RESERVES PROPOSAL ARISES, DEL MAY STATE THAT U.S. PLANS TO CARRY DISCUSSION TO CONCLUSION IN THE IWC. ANY RESULTS IN LONDON MUST BE CONSISTENT 'ITH OUR MTN GOAL OF TRADE LIBERALIZATION FOR GRAIN AND ULTIMATELY SHOULD BE TAKEN INTO ACCOUNT IN THE MTN NEGOTIATIONS. REF C SETS FORTH WASHINGTON VIEWS ON FORUM FOR GRAIN NEGOTIATIONS. IN
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THE U.S. VIEW, SIGNIFICANT PROGRESS WILL BE ACCOMPLISHED IN MTN ON GRAIN ONLY WHEN IT BECOMES CLEAR THAT MAJOR IMPORTERS, ESPECIALLY THE EC, ARE PREPARED TO COMMIT THEMSELVES TO CERTAIN STEPS OF LIBERALIZATION OF THEIR BARRIERS TO GRAIN TRADE.

3. DISCUSSION

1. FOLLOWING ARE QUESTION DEL MAY DRAW ON IN EXAMINATION OF POLICIES FOR CANADA AND AUSTRALIA:

A. HAVE SITUATIONS ARISEN IN RECENT YEARS WHEN AVAILABLE GRAIN SUPPLIES WERE SOLD FOR DOMESTIC CONSUMPTION AT PRICES BELOW THE EQUIVALENT PRICES FOR EXPORT?

B. APART FROM THE LEVEL OF PRICE, HAVE SITUATIONS ARISEN WHERE FOREIGN BUYERS HAVE NOT BEEN ABLE TO PURCHASE YOUR GRAIN FOR EXPORT?

C. WHAT SAFEGUARDS EXIST, GIVEN THE MONOPOLY

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EXPORT SELLING AGENCY, FOR ASSURING THAT ITS EXPORT PRICES ARE CONSISTENT WITH THE GENERAL PREVALING LEVEL OF WORLD PRICES - I.E., NEITHER ABOVE IT (WHERE DOMESTIC BUYERS HAVE PREFERENCE OVER FOREIGN) NOR BELOW IT (TO THE DETRIMENT OF OTHER EXPORTING COUNTRIES).

D. TO WHAT EXTENT HAVE INTERNAL PRICES OF FEEDSTUFFS, ESPECIALLY GRAINS FOR FEEDING, MOVED CONSISTENTLY WITH WORLD PRICE LEVELS OF THOSE GRAINS; TO WHAT EXTENT HAVE SUCH INTERNAL PRICE SHIFTS CAUSED CHANGES IN THE VOLUME OF GRAIN FEED?

2. NON-COMMERCIAL SALES. THE BASIC OBJECTIVES OF PL 480 ARE DESCRIBED IN ERS PUBLICATION "PL 480 CONCESSIONAL SALES" (FOREIGN AGRICULTURAL ECONOMIC REPORT NO. 65). COPY HAS BEEN MAILED TO KOENIG. THE PRINCIPAL PURPOSES ARE HUMANITARIAN AND DEVELOPMENTAL. BY RECENT LEGISLATION:

-- THE POLICY EMPHASIS ON AGFICULTURAL SELF-HELP HAS
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BEEN FURTHER STRENGTHENED;

-- 75 OF THE TONNAGE OF ANNUAL TITLE I FOOD ASSISTANCE MUST NOW GO TO MOST NEEDY COUNTRIES (PER CAPITA GNP OF $300 OR LESS--SEE INTERNATIONAL DEVELOPMENT AND FOOD ASSISTANCE ACT OF 1975 MAILED KOENIG);

-- A MINIMUM OF 1.3 MILLION TONS MUST NOW BE GIVEN AS PURELY HUMANITARIAN ASSISTANCE UNDER TITLE II;

-- ANNUAL COMMITMENTS OF GRAIN FOR PL 480 PROGRAMMING ARE MADE BY THE SECRETARY OF AGRICULTURE (WHETHER OR NOT SURPLUSES ARE AVA,LABLE).

BY CONSULTING WITH OTHER FOOD EXPORTING COUNTRIES AND BY CONFORMING TO THE PROCEDURES OF THE FAO CONSULTATIVE SUBCOMMITTEE ON SURPLUS DISPOSAL (CSD), THE U.S. SEEKS TO AVOID ANY DISRUPTION OF COMMERCIAL MARKETS BY ITS PL 480 PROGRAMMING. THE U.S., PROBABLY TO A GREATER EXTENT THAN OTHER DONORS, MONITORS UMR COMPLIANCE AND ADHERENCE TO EXPORT LIMITATIONS.

CHARACTERIZATION OF PL 480 AS A "HIDDEN EXPORT SUBSIDY" (AS APPARENTLY IMPLIED BY THE EC DEL IN JANUARY) WOULD BE TOTALLY UNJUSTIFIED. THE PROGRAM IS A FOOD AID PROGRAM OPERATING UNDER AGREED INTERNATIONAL PROCEDURES FOR FOOD AID. IN A TECHNICAL SENSE, OF COURSE, IT COULD BE ARGUED THAT ALL NON-COMMERCIAL SALES BY DEFINITION INVOLVE SUBSIDIES. IN THIS SENSE FOOD AID PROGRAMS

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WOULD INVOLVE PERMITTED SUBSIDIES AND WOULD BE SO
CLASSIFIED UNDER ANY ACCEPTABLE MULTILATERAL CODE. FYI.
THE U.S. PROPOSED FRAMEWORK FOR SUBSIDIES NEGOTIATIONS
(SEE TPSC 75-23, CATEGORIZING SUBSIDIES AS PROHIBITED,
CONDITIONAL, AND PERMITTED) MAY INCLUDE FOOD AID AND
AID TO DEVELOPING COUNTRIES IN THE PERMITTED SUBSIDY
CATEGORY. END FYI.

3. CREDIT SALES. FOR DISCUSSION OF CCC EXPORT
CREDIT PROGRAM AND EXIMBANK LOAN GUARANTEES FOR GRAIN
EXPORTS, DEL SHOULD DRAW ON PREFACE TO ERS PUBLICATION,
"U.S. AGRICULTURAL EXPORTS UNDER PUBLIC LAW 480",
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SUPPLEMENTED BY FOLLOWING;

A. CCC EXPORT CREDIT

-- THE PROGRAM IS DESIGNED TO HELP U.S. EXPORTERS
MEET COMMERCIAL EXPORT COMPETITION FROM OTHER COUNTRIES,
PARTICULARLY COMPETITION ARISING FROM FOREIGN GOVERN-
MENT ASSISTANCE OR STATE TRADING PRACTICES;

-- RATES OF INTEREST ARE IN LINE WITH PRIVATE
COMMERCIAL RATES IN THE U.S.;

-- FROM THE BEGINNING OF THE PROGRAM IN 1956 THROUGH
MARCH 1975, $4,143 MILLION WORTH OF U.S. FARM PRODUCTS
HAVE BEEN EXPORTED UNDER CREDITS EXTENDED BY CCC;

-- IN RECENT TIMES, ADDITIONAL COMMODITIES HAVE BEEN
MADE ELIGIBLE UNDER THE PROGRAM (SEE APRIL 30 RELEASE
MAILED TO KOENIG).

B. EXIMBANK

EXIMBANK HAS NOT MADE DIRECT LOANS TO FINANCE
GRAIN EXPORTS. SHORT TERM LOAN GUARANTEES CAN BE MADE
TO COVER PRIVATELY-FINANCED EXPORT SALES.

SUCH GUARANTEES REPRESENT AN ADDITIONAL MODERATE
COST AS DOES PRIVATE EXPORT INSURANCE (E.G. THROUGH THE
FOREIGN CREDIT INSURANCE ASSOCIATION - FCIA). IN 1975
NO EXIMBANK GUARANTEES WERE MADE ON GRAIN EXPORTS. ROBINSON

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